

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

Resolution No. 2008-08

Resolution Approving Authority Policy to Provide Short-Term Loans to Rural Hospitals

July 31, 2008

Background: Many rural hospitals are facing unanticipated and staggering financial burdens associated with the anticipated State budget impasse and delayed Medi-Cal reimbursements scheduled for June and July of this year. Some of these rural hospitals have appealed to the Authority to assist them by providing short-term working capital secured loans to help them offset their anticipated significant budgetary shortfalls associated with delayed 2008-2009 Medi-Cal reimbursements from the State of California. The Authority's statute permits the Authority to make secured or unsecured loans to participating health institutions in connection with the financing of a project or working capital. In addition, the Authority's statute provides the Authority may provide funds for secured loans from the Authority's Financing Fund to small and rural health facilities in accordance with Authority guidelines.

Issue: Should the Authority permit short-term loans of the Authority's fund balance to help struggling rural hospitals with expected budgetary shortfalls associated with delayed 2008-2009 Medi-Cal reimbursements?

Recommendation: Staff recommends the Authority approve use of the Authority's fund balance to provide short-term working capital secured loans to rural hospitals, who qualify as participating health institutions, to help them offset their expected significant budgetary shortfalls associated with delayed 2008-2009 Medi-Cal reimbursements from the State of California, in accordance with the specific loan underwriting guidelines as set forth with more particularity in the attached Resolution No. 2008-08. Staff respectfully refers the board to the attached resolution, as well as the staff reports for each of the pertinent rural hospitals, for further particularities relating to each of the proposed transactions.